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File [REDACTED]

25 AUG 1977

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77-4798

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MEMORANDUM FOR: Acting Deputy Director for Administration

FROM: James H. McDonald
Director of Logistics

Harry E. Fitzwater
Director of Training

SUBJECT: Rental Survey - [REDACTED]

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1. Action Requested: Paragraph 4 contains a set of recommendations for your approval.

2. Background:

a. Office of Logistics, Real Estate and Construction Division (OL/RECD) completed a rental survey at [REDACTED] in August 1975. The rates developed were never implemented, rather the Corps of Engineers (COE) was commissioned to resurvey [REDACTED]; did so in late 1976 and submitted its findings to this Agency in February 1977. Review of the COE survey revealed that it followed Circular A-45 literally and the recommended rate schedule would result in an average 150 percent increase to occupants. Since that time the affected components have studied the situation intensively to resolve the dilemma of putting the Agency in the posture of complying with 5 U.S.C. 5911 and the resultant Bureau of Budget Circular A-45 while maintaining reasonable rental rates at [REDACTED].

b. Part of the problem stems from the ambiguity of the laws and regulations governing the establishment of the rental program. On the one hand agencies are admonished not to set rental rates so low as to "provide an inducement in the recruitment or retention of employees" and follows immediately

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by stating that rates "reflecting reasonable value should not operate as a barrier in recruitment or retention of employees" The key is the term "reasonable value" which is a difficult standard to apply. Consequently, other Government agencies have made very liberal interpretations of the Circular. The Department of Interior, which has some 13,000 rental units, recently completed a study and found that its average basic rent (this excludes utility charges) was \$61 per month per unit. It has also been confirmed that Interior employees claim a deduction on their Federal tax return for reimbursements made to the Government for quarters (some IRS districts allow deduction of the total charge while others allow only a deduction for basic rent). Some bureaus within Interior actually provide their employees an annual statement of monies withheld for housing which the employee attaches to his tax return much as they do the W-2 form. You will recall that OGC has, in a written opinion, advised that such deductions may not be taken for rents paid to the Government. However, in light of new information, this matter will be pursued further.

c. It became apparent in recent (July) discussions with Interior and the Federal Aviation Administration (FAA) that these and other elements of the U.S. Government are administering much larger programs than CIA; that they are doing so in a very liberal manner; and that OMB has posed no objections or made any attempt to enforce the strictures of its admittedly outdated Circular A-45. Another example concerns establishment of utility rates. A valid employee objection concerns payment of excessively high utility rates because the assigned quarters are poorly insulated. To solve this type of situation, Interior has adopted a system of charging the employee a flat \$50 per month with the Government paying 90 percent of the balance (the employee being liable for the remainder).

d. In light of the above, OL and OTR have determined that the rates proposed in the COE survey do not provide reasonable value to the employee/tenant and further, that imposition of these rates would indeed act as a barrier to the recruitment and retention of the caliber of employee required to accomplish the sensitive training mission assigned to [REDACTED]. The COE survey has been retained to provide a data base. From this base certain reductions have been made both in the basic rent

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and the utility rate. These reductions average 30-40 percent in both categories. The basic rent was reduced to compensate for the deprivation of liberty which has been fully documented in previous correspondence on the subject (see Attachment 3). Utility rates have been reduced based on a Bureau of Standards study to determine average heat loss/gain of the quarters. It is the intention of the responsible components that as funds become available, the quarters will be individually metered and a program to upgrade the insulation to meet current standards will be undertaken.

e. Attached hereto are the proposed rates and a proposed regulation governing the quarters situation at [REDACTED]. Based on discussions with other Government agencies which have deviated drastically from Circular A-45, it is sufficient to submit our rate schedules and policies to the Assistant Administrator for Logistics, OMB. We may also, of course, submit them along with the other data requested at the regularly scheduled OMB Budget Review. A representative at Department of Interior has further advised that OMB has neither the expertise nor the time to undertake a revision of the Circular. Interior has been requested, therefore, to take the lead in preparing a revised circular and the Agency, if it so desires, may participate in the preparatory stage.

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3. Staff Position:

a. Both OL and OTR concur in the recommendations contained in paragraph 4 below.

b. In effect, the recommendations have been coordinated in a conceptional sense with several other elements of the U.S. Government, specifically the Department of Interior and the FAA.

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